



## **Topic Guide:      Supplier selection process (relates to public sector procurement though can be considered for private sector also)**

### **Before you go out to tender**

The Procurement Manager should seek to take control of tenders at the earliest possible stage. An ongoing education process, both with Suppliers and users, will aim to ensure that the Procurement team are involved in the pre-tender process. Internal controls must be determined at this pre-tender stage and should include, but not be limited to, the project sponsor, the budget holder, agreement on a contract signatory and deadline dates.

A core user group should be formed who shall agree and document the scope of the project, including the detailed business case and any other options available to the organisation. Typical considerations might include alternative suppliers or methodologies, utilisation of in-house resources, risk limitation - both commercially and technically and strategy for tackling a sole sourced option.

### **Preparing to go out to tender**

Identification of suitable partners ideally needs to be made on a project-by-project basis in conjunction with technical experts and those with commercial, legal and operational experience. The number and type of partners will be determined by the size, complexity and value of the business under consideration. Where there are overriding technical considerations it may be necessary to issue a tender to a sole source.

A full and professional, technical and commercial statement of requirements should be prepared to accompany the tender document. Appropriate service levels should also be identified and agreed with user representatives prior to the invitation process. Non-disclosure agreements, as appropriate to the tender, should be prepared and signed by all potential suppliers either as part of the tender document or as a separate independent exercise.

### **Going out to tender**

A tender document needs to be prepared appropriate to the contract in consideration and issued to all potential suppliers simultaneously. This tender document should clearly identify the timescales for response. Selection will be made on a consistent range of criteria, identified to the tenderer at the invitation stage. This criteria needs to be the same for all tendering parties. All potential suppliers should also be informed of these criteria. A sample but flexible list of criteria together with an outline of their interpretation are:

- Price
- A straightforward comparison of like for like price responses
- Proven technical experience
- Consideration of a supplier's technical experience relevant to the specific project under consideration
- Geographical coverage
- A consideration of locations relevant to the specific project under consideration
- Service depth and breadth
- A supplier's ability to supply the complete set of services and staff resources required for the project
- Culture fit
- A supplier's understanding of dealing with large multi-national companies
- Depth and creativity of response
- The inventiveness of a supplier's response
- Responsiveness to client issues
- A consideration of a supplier's understanding of the statement of requirements
- Commercialism of response
- A consideration of the economics and value for money factor in a supplier's response

- Partnership opportunities
- Future prospects of an ongoing business relationship with the supplier

Key influence on the weighting of these criteria will be financial stability and reputation, technical competence and value for money at minimum risk to the organisation. The tender package should include the following elements:

- Introduction
- Instructions to Supplier
- Statement of Requirements
- Process instructions
- Terms & Conditions of Tendering (including draft contract)
- Outline of service
- Specification
- Service level agreement
- Pricing matrix (to ensure a standard format of response)
- Office addresses
- Appointed representatives
- Tenderer's appointed representatives
- Confidentiality agreement
- Requirements for on-site staff
- Health & Safety rules
- Environmental policy statement

### **Tender responses**

Questions and answers may be dealt with on an ad-hoc basis but impartiality in the response process is crucial. All dealings with suppliers should be ethical and even handed, with no opportunities offered to one party without similar information and opportunity being made available to all other tenderers.

Timescale for responses should be strictly adhered to unless all parties have agreed an extension. Short listed tenderers should then be offered the opportunity to make a formal presentation to appropriate personnel within the organisation. Only those representatives of the organisation who attend these presentations should be entitled to take part in the award decision.

Ideally responses should be submitted in both hard copy and electronic format by the timed deadline specified in the tender document. Responses submitted in advance of the specified deadline should be stored securely until the submission date has passed. Electronic copies of tender responses should also be maintained for audit purposes.

### **Supplier selection process**

The selection panel are ideally composed of appropriate personnel who have considered all tenders and who have a vested interest in the project. Any conflict of interests amongst members of the team must be clearly identified and documented.

A selection matrix needs to be prepared based on the selection criteria identified to the tenderer at the invitation stage. The selection panel should agree weightings for each of the criteria based on their relevance to the particular project under consideration. After discussion amongst the panel each member then awards points to individual suppliers against each given criterion. These figures will then be totalled for the panel and multiplied by the weightings to give a point's score for each potential supplier. From this information an evaluation matrix can be compiled and a short list of potential suppliers prepared for further meetings and discussion.

All unsuccessful tenderers should be informed promptly and formally and offered an opportunity to discuss the reasons for their failure to win the business at a post-tender review meeting. At this meeting the tender process should be described in detail and a supplier informed of the weightings allocated to each of the selection criterion together with the team voting of his performance in each category. It should be emphasised at this stage that the team scores are composite individual totals from all members of the selection panel and form a representative view. Individual voting should not be made known to the supplier. It is essential that during the post-tender review meeting no specific reference is made to the competitive tendering parties.

Subsequent technical and commercial meetings will then take place with the shortlisted parties to discuss details of the terms and conditions of contract and our statement of requirements.

Short listed tenderers should then be invited to elaborate their submission at a presentation to members of the selection panel. Only members of the panel who have attended these supplier presentations should be allowed to vote at the award meeting.

A final meeting of the selection panel will decide on a recommended supplier using an analysis of risk based factors relevant to the particular project under discussion. The result of this analysis needs to be considered in conjunction with pricing submissions and appropriate reports from reference sites. After discussion amongst the group, the panel as a whole should then award either one or zero points to each tenderer against each of the chosen risk based factors. Although these categories may change between projects, typical risk based factors with an example of their interpretation may include:

- Exceptions processes
- Completeness and accuracy in description of the exception process
- Potential for cost increases
- Costs additional to tender and the likelihood they will occur
- Staffing resource
- Adequate staffing levels
- Project methodology
- Quality of project plan and approach to methodology
- Project structure
- Appropriateness and quality of the team structure
- Staff Skills
- Suitability of staff for the project
- Project manager skills
- Appropriateness of skills and demonstrable experience
- Size and scope
- Size of the tenderer and their ability to assign additional resource

### **Next Steps**

For more information on how your company can benefit from significant total cost reduction and supply efficiency gain, contact the **Buying Support Agency** on **0845 5553344** or by email [info@buyingsupport.co.uk](mailto:info@buyingsupport.co.uk)